

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**SHREVEPORT, LOUISIANA**

**FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 11 2012

**Marsha O. Millican**  
**A Professional Accounting Corporation**  
**Shreveport, Louisiana**

**CADDO PARISH SEWERAGE DISTRICT NO. 7**

**SHREVEPORT, LOUISIANA**

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**Marsha O. Millican**

**A PROFESSIONAL ACCOUNTING CORPORATION**

**Independent Auditor's Report**

The Board of Commissioners  
Caddo Sewerage District No. 7  
Shreveport, Louisiana

I have audited the accompanying financial statements of Caddo Parish Sewerage District No. 7, a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Caddo Parish Sewerage District No. 7 as of December 31, 2011 and 2010, and the respective changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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My audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The Schedule of Compensation Paid to Commissioners is presented for purposes of additional analysis and is not a required part of the basic financial statements of Caddo Sewerage District No. 7. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 through 5 is are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and do not express and opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2012 on my consideration of Caddo Parish Sewerage District No. 7's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

*Marsha D. Milhean*

Certified Public Accountant  
June 22, 2012

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**P. O. BOX 7606**  
**SHREVEPORT, LA 71137-7606**

**Management's Discussion and Analysis**

Our discussion and analysis of the Caddo Parish Sewerage District No. 7 financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the District's financial statements, which begin on page 6.

**FINANCIAL HIGHLIGHTS**

The District's net assets increased by \$99,657 or 5% in 2011 compared to \$87,904 in 2010.

The District's total revenues were \$775,532 in 2011 compared to \$738,904 in 2010.

During the year ended December 31, 2011 the District had total operating expenses, excluding depreciation, of \$359,887 compared to \$334,010 in 2010.

**USING THIS ANNUAL REPORT**

This annual report consists of three parts; management's discussion and analysis, the basic financial statements, and required supplemental information. The statement of net assets provides long-term and short-term information about the District's financial status. The statements of revenue, expenses, and changes in net assets and statements of cash flows provide historical data on the District's business-like activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Caddo Parish Sewerage District No. 7 is a component unit of the Parish of Caddo, Louisiana because the Parish must approve all officials appointed to the District's Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District.

**FINANCIAL ANALYSIS OF THE DISTRICT**

**Net Assets**

The following table summarizes the financial status of the District:

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Current and other assets	\$ 1,439,755	\$ 1,554,155	-7.36%
Capital assets	<u>3,203,240</u>	<u>3,002,375</u>	<u>6.69%</u>
Total assets	<u>4,642,995</u>	<u>4,556,530</u>	<u>1.90%</u>
Long-term debt outstanding	2,379,026	2,396,500	-0.73%
Other liabilities	<u>306,319</u>	<u>302,038</u>	<u>1.42%</u>
Total liabilities	<u>2,685,345</u>	<u>2,698,538</u>	<u>-0.49%</u>
Investment in capital assets	669,714	605,875	10.54%
Restricted	688,172	668,239	2.98%
Unrestricted	<u>599,764</u>	<u>583,878</u>	<u>2.72%</u>
Total net assets	<u>\$ 1,957,650</u>	<u>\$ 1,857,992</u>	<u>5.36%</u>

Increases or decreases in the District's net assets are one indicator of whether its financial position is improving or deteriorating. The above changes reflect no substantial change in the District's financial position.

#### Changes in Net Assets

The following table summarizes the change in District's net assets:

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Revenues			
Fees and charges for service	\$ 775,532	738,904	4.96%
Property taxes	26,573	27,027	-1.68%
Interest income	1,699	2,251	-24.52%
Total revenues	<u>803,804</u>	<u>768,182</u>	<u>4.64%</u>
Expenses			
Sewer operations	359,887	334,836	7.48%
Depreciation	208,661	206,732	0.93%
Interest expenses	135,599	138,710	-2.24%
Total expenses	<u>704,147</u>	<u>680,278</u>	<u>3.51%</u>
Change in net assets	<u>\$ 99,657</u>	<u>\$ 87,904</u>	<u>13.37%</u>

The year ending December 31, 2011 showed no unusual variations from the prior year. The Board is continuing to review fluctuations and is charged with maintaining a rate for its customer services that will cover the operations and debt service.

#### CAPITAL ASSETS

At the end of 2011, the District had invested \$3,203,240 in capital assets, including land, sewer lines, treatment facilities, a vehicle, and equipment. This amount represents an increase of \$200,865 over last year.

(Net of depreciation)

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Land	\$ 37,500	\$ 37,500	0.00%
Construction in Progress	310,892	-	100.00%
Sewer system	2,853,824	2,962,734	-3.68%
Machinery and equipment	1,024	2,141	-52.17%
Total	<u>\$ 3,203,240</u>	<u>\$ 3,002,375</u>	<u>6.69%</u>

System additions totaled \$409,526 for 2011.

## LONG-TERM DEBT

At year-end the District had \$2,396,500 thousand in revenue and general obligation bonds outstanding, a decrease of 6% over last year, as shown in the following table.

### Outstanding Bonds Payable

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
General obligation bonds	\$ 190,000	\$ 200,000	-5.00%
Revenue bonds	<u>2,206,500</u>	<u>2,359,000</u>	<u>-6.46%</u>
Total	<u>\$ 2,396,500</u>	<u>\$ 2,559,000</u>	<u>-6.35%</u>

This financial report is designed to provide the constituents and taxpayers with a general overview of the finances for the funds maintained by the Caddo Sewerage District No. 7 and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's office at 4859 North Market, Suite 4, Shreveport, LA 71107.

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF NET ASSETS**  
**DECEMBER 31, 2011 AND 2010**

<b>ASSETS</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 205,644	\$ 313,359
Accounts receivable - Note 4	77,425	68,495
Prepaid expenses	<u>11,297</u>	<u>9,583</u>
Total current assets	<u>294,366</u>	<u>391,437</u>
<b><u>Noncurrent Assets</u></b>		
Restricted cash and cash equivalents		
Revenue sinking fund	96,238	100,116
Reserve sinking fund	271,975	271,713
Depreciation and contingency fund	345,657	335,085
Construction fund	90,926	104,560
Customer deposits and permits	3,510	3,546
Ad Valorem tax fund	28,282	20,492
Certificate of deposit - customer deposits	85,000	85,000
Restricted accounts receivable - Note 2	23,430	25,473
Capital assets - Note 5	3,203,240	3,002,375
Deferred finance charges	<u>200,371</u>	<u>216,733</u>
Total other assets	4,348,629	4,165,093
Total assets	<u>\$ 4,642,995</u>	<u>\$ 4,556,530</u>

The accompanying notes are an integral part of these financial statements.



**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF NET ASSETS**  
**DECEMBER 31, 2011 AND 2010**

<b>LIABILITIES</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b><u>Current Liabilities (Payable from current assets)</u></b>		
Accounts payable	\$ 10,085	\$ 3,659
Accrued compensated absences	19,985	20,633
Total	<u>30,070</u>	<u>24,292</u>
<b><u>Current Liabilities (Payable from restricted assets)</u></b>		
Accrued interest - revenue bonds	20,257	22,533
Revenue bonds payable	153,500	152,500
Customer deposits and permits held	88,510	88,546
Accrued interest - general obligation bonds	3,982	4,167
General obligation bonds payable	10,000	10,000
Total	<u>276,249</u>	<u>277,746</u>
Total current liabilities	<u>306,319</u>	<u>302,038</u>
<b><u>Noncurrent Liabilities</u></b>		
Revenue bonds payable - Note 7	2,053,000	2,206,500
DOTD Note Payable - Note 7	146,026	-
General obligation bonds payable - Note 7	<u>180,000</u>	<u>190,000</u>
Total long-term liabilities	<u>2,379,026</u>	<u>2,396,500</u>
Total liabilities	<u>2,685,345</u>	<u>2,698,538</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	669,714	605,875
Restricted		
Capital outlay	90,926	104,560
Debt retirement	597,246	563,679
Unrestricted	<u>599,764</u>	<u>583,878</u>
Total net assets	<u>\$ 1,957,650</u>	<u>\$ 1,857,992</u>

The accompanying notes are an integral part of these financial statements.

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF REVENUE, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>Operating Revenues</u></b>		
Fees and charges for services	\$ 775,532	\$ 738,904
<b><u>Operating Expenses</u></b>		
Personal services	135,616	119,519
Advertising, dues and subscriptions	881	414
Printing	1,635	1,164
Utilities	44,884	38,210
Communications	10,152	9,107
Rentals paid	7,320	7,250
Maintenance of property and equipment	100,486	101,658
Professional services	9,562	14,687
Insurance and surety bonds	25,958	23,604
Office expenses	5,220	3,011
Travel	16,304	15,089
Bad debts	1,869	297
Depreciation	208,661	206,732
Total operating expenses	<u>568,548</u>	<u>540,742</u>
Operating Income	<u>206,984</u>	<u>198,162</u>
<b><u>Non-Operating Revenue (Expense)</u></b>		
Interest income	1,699	2,251
Ad Valorem taxes	26,573	27,027
Interest and fiscal charges	(135,599)	(139,536)
Total non-operating revenue (expense)	<u>(107,327)</u>	<u>(110,258)</u>
Change in net assets	99,657	87,904
Net assets-beginning of year	<u>1,857,993</u>	<u>1,770,088</u>
Net assets-end of year	<u><u>\$1,957,650</u></u>	<u><u>\$1,857,992</u></u>

The accompanying notes are an integral part of these financial statements.

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**STATEMENTS OF CASH FLOW**  
**INCREASE (DECREASE) IN CASH, AND CASH EQUIVALENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Cash received from customers	\$ 766,602	\$ 734,239
Cash payments to suppliers for goods and services	(236,304)	(327,514)
Cash payments for personal services	(119,519)	(119,519)
Net cash provided by operating activities - Note 8	<u>410,779</u>	<u>287,206</u>
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>		
Deposits received from customers	(36)	1,353
Net cash from non-capital financing activities	<u>(36)</u>	<u>1,353</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>		
Proceeds from Ad Valorem tax collections	23,630	23,780
Proceed from DOTD loan	146,026	-
Acquisition and construction of capital assets	(409,526)	(23,552)
Principal paid on revenue bonds	(152,500)	3,500
Interest paid on revenue bonds	(106,711)	(265,449)
Principal paid on general obligation bonds	(10,000)	(10,000)
Interest paid on general obligation bonds	(10,000)	(10,500)
Net cash used for capital and related financing activities	<u>(519,081)</u>	<u>(282,221)</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Interest on investments	1,699	2,251
Net increase (decrease) in cash and cash equivalents	<u>(106,639)</u>	<u>8,589</u>
Cash and cash equivalents at beginning of year	<u>1,233,871</u>	<u>1,225,282</u>
Cash and cash equivalents at end of year	<u><u>1,127,232</u></u>	<u><u>1,233,871</u></u>

The accompanying notes are an integral part of these financial statements.

**CADDO PARISH SEWERAGE DISTRICT NO.7**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**INTRODUCTION**

1. Caddo Parish Sewerage District No. 7 was created by the Caddo Parish Commission and is a subdivision thereof. This report includes all funds controlled by Caddo Parish Sewerage District No. 7. The District is considered a component unit of the Caddo Parish Commission, and is included in the Commission's financial report.
2. The District was formed to construct and operate a sewerage collection and treatment system north of Shreveport, Louisiana.
3. Its five Board members are appointed by the Caddo Parish Commission and compensated \$60 each per meeting attended.
4. The District is located north of Shreveport, Louisiana.
5. The District serves approximately 1,800 customers.
6. The District employs four full-time employees

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Caddo Parish Sewerage District No. 7 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 14:514 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA Industry Audit Guide, *Audits of State and Local Governmental Units*.

**B. REPORTING ENTITY**

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification section 2100, Caddo Parish Sewerage District No. 7 includes all funds that are within its oversight responsibility. The District is a component unit of the Caddo Parish Commission, the financial reporting entity. The Commission is financially accountable for the District because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

### **C. FUND ACCOUNTING**

Caddo Parish Sewerage District No. 7 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net assets, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

### **D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services or goods in connection with principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District's reporting on enterprise fund activities is based on FASB Statements and interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

The Enterprise Fund uses the following practices in recording certain revenues and expenses:

#### **Revenues**

Fees and charges for services are billed at the end of the month earned and are due by the 20th of the following month. This revenue is recorded as income in the month earned.

An Ad Valorem tax is levied in October each year for the fiscal year and becomes delinquent after December of the same year. Taxes are collected by the Caddo Parish Sheriff's office and forwarded to the District after removal of tax assessor charges. The revenue is recorded in the year levied.

## **Expenses**

Operating expenses are recorded when incurred. Interest expense is accrued at the end of each period and included as expense.

### **E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. The District considers time deposits and those investments with maturities of 90 days or less as cash equivalents. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### **F. PREPAID ITEMS**

Items paid in the current year benefiting future periods are set up as assets.

### **G. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, other funds set aside for specific purposes are also classified as restricted. The District uses restricted resources to fund appropriations before using unrestricted resources.

### **H. CAPITAL ASSETS**

Fixed assets of the District are included on the balance sheet of the fund at cost. Interest costs incurred during construction are not capitalized. Constructed systems are being depreciated on a straight-line basis for 35 years. Existing systems purchased in 1985 for \$149,950 are being depreciated on a straight-line basis for 25 years. The District capitalizes all capital assets that are \$250 or greater.

### **I. DEFERRED FINANCE CHARGES**

In conjunction with refunding bond issues, refinancing costs were incurred. These costs are amortized on a straight-line basis over the term of the new bond issues.

## **J. COMPENSATED ABSENCES**

The District has adopted a leave policy as to vacation and sick pay. The policy provides full-time employees to accumulate earned vacation. Employees must use their earned time or it is lost at the anniversary of their hire date. Earned vacation may be paid in cash upon termination of the employee. The policy also provides full-time employees sick/personal leave. Unused sick leave accumulates and may be carried forward indefinitely. The District does not pay for unused sick leave upon termination. Accrued vacation and sick pay is reported in the financial statements.

## **K. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.

## **L. USE OF ESTIMATES**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

## **2. LEVIED TAXES**

An Ad Valorem tax is levied in October each year for the fiscal year and becomes delinquent after December of the same year. Taxes are collected by the Caddo Parish Sheriff's office and forwarded to the District after removal of tax assessor charges. Ad Valorem tax revenue is recognized when levied.

	<u>2011</u>	<u>2010</u>
Assessed valuation within District - net	14,856,590	15,015,110
Millage	1.7	1.8
Taxes levied	\$ 25,257	\$ 26,897
Estimate of uncollectibles	(1,827)	(1,424)
Accounts receivable - Ad Valorem	<u>\$ 23,430</u>	<u>\$ 25,473</u>

Ad Valorem taxes are assessed to retire the general obligation bonds of the District. The District has \$51,712 in net current assets at December 31, 2011 to cover \$19,500 in 2012 maturing principal and interest. Based on the current property valuation within the District, subsequent millage requirements should approximate less than two.

### 3. CASH AND CASH EQUIVALENTS

At December 31, 2011 and 2010, the District has cash and cash equivalents (book balances) as follows:

	<u>2011</u>	<u>2010</u>
Non interest bearing demand deposits	\$ 177,689	\$ 69,101
Interest bearing demand deposits	656,064	831,966
Time deposits	85,000	85,000
Other	<u>150</u>	<u>150</u>
Total	<u>\$ 918,903</u>	<u>\$ 986,217</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits or the resulting bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash deposits at JP Morgan Chase, Louisiana are collateralized as follows at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Fair market value of securities pledged (GASB Category 3)	\$ 967,714	\$ 3,581,153
Current FDIC coverage	<u>250,000</u>	<u>250,000</u>
Total collateral	1,217,714	3,831,153
Collected cash balances	<u>1,116,584</u>	<u>849,060</u>
Collateralization (shortage) excess	<u>\$ 101,130</u>	<u>\$ 2,982,093</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.



An investment of \$31,315 in the Louisiana Asset Management Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form. Louisiana Asset Management Pool ("LAMP"), a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For purposes of determining participants' shares investments are valued at amortized cost. LAMP is designed to be highly liquid to give participants immediate access to their account balances. Funds on deposit at LAMP at December 31, 2010 were \$247,654.

#### 4. RECEIVABLES

Accounts receivable customers at December 31, 2011 and 2010 consist of the following:

	2011	2010
Accounts receivable - customers	\$ 84,082	\$ 73,395
Allowance for bad debts	<u>(6,657)</u>	<u>(4,900)</u>
Total accounts receivable	<u>\$ 77,425</u>	<u>\$ 68,495</u>

Provision is made for an estimate of uncollectible accounts with approved write-offs charged against that provision.

## 5. CAPITAL ASSETS

The following is a summary of capital assets:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>End of Year</u>
Capital assets, non-depreciable				
Land	\$ 37,500	\$ -	\$ -	\$ 37,500
Construction in progress	-	310,892	-	310,892
Total capital assets non-depreciable	<u>37,500</u>	<u>310,892</u>	<u>-</u>	<u>348,392</u>
Capital assets, depreciable				
Machinery and equipment	49,912	19,531	-	69,443
Sewer system	6,441,785	79,103	-	6,520,888
Total	6,491,697	98,634	-	6,590,331
Accumulated depreciation	<u>3,526,822</u>	<u>208,661</u>	<u>-</u>	<u>3,735,483</u>
Total capital assets being depreciated net	<u>2,964,875</u>	<u>(110,027)</u>	<u>-</u>	<u>2,854,848</u>
Total capital assets	<u>\$3,002,375</u>	<u>\$ 200,865</u>	<u>\$ -</u>	<u>\$3,203,240</u>

## 6. PENSION PLAN

The District has adopted a SIMPLE plan to benefit its employees. The plan calls for matching contributions up to 6% of gross pay in each calendar year to the SIMPLE IRA accounts of all eligible employees. Eligible employees include those that received at least \$300 in any previous year and expect to receive \$300 during any specific year. Payroll for the year ended December 31, 2011 of \$53,633 was covered by the plan. Contributions of \$3,218 and \$4,948 were paid to the plan for 2011 and 2010 respectfully.

## 7. LONG-TERM LIABILITIES

### Changes in long-term debt

The following is a summary of bond transactions of the District for the years ending December 31, 2011 and 2010:

	General Obligation		Revenue	
	2011	2010	2011	2010
Bonds payable - beginning of year	\$ 200,000	\$ 210,000	\$ 2,359,000	\$ 2,355,500
Less bonds retired	(10,000)	(10,000)	(152,500)	(1,451,500)
Refunding issue	-	-	-	1,455,000
Bonds payable - end of year	<u>\$ 190,000</u>	<u>\$ 200,000</u>	<u>\$ 2,206,500</u>	<u>\$ 2,359,000</u>

Bonds payable at December 31, 2011 and 2010 are comprised of the following individual issues:

	2011	2010
General obligation bonds serviced through Ad Valorem tax collections:		
\$365,000 1983 bonds due in annual installments of principal and interest of approximately \$21,000 through 2023; interest at 5%	<u>\$ 190,000</u>	<u>\$ 200,000</u>

**Loans Payable - DOTD**

The Louisiana Department of Transportation and Development (DOTD) has loaned the District \$146,206 used to relocate sewerage lines. The loan does not have any stated repayment terms or interest rates. The relocation project was not complete at December 31, 2011.

<u>\$ 146,206</u>	<u>\$ -</u>
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**Revenue Bonds:**

\$520,000 1983 sewer revenue bonds due in annual installments of principal and interest of approximately \$30,000 through 2023; interest at 5%

\$ 279,000	\$ 294,000
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\$1,700,000 1999 sewer revenue and refunding bonds due in annual installments of principal and interest of approximately \$136,000; average interest at 5.5%

- -

\$1,150,000 2002 sewer revenue refunding bonds due in annual installments of principal of \$57,500 plus interest totaling \$51,808 for 2006 and reducing thereafter; interest at 5.3%

632,500	690,000
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\$1,455,000 2009 sewer revenue refunding bonds due in annual installments of principal and interest of approximately \$133,000; average interest at 4.5%

<u>1,295,000</u>	<u>1,375,000</u>
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**Total revenue bonds**

<u>\$ 2,206,500</u>	<u>\$ 2,359,000</u>
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In accordance with R. S. 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At December 31, 2011, the statutory limit is approximately \$5,200,000, and outstanding bonded debt totals \$2,396,500.

The annual requirements to amortize all bond debt outstanding at December 31, 2011, are as follows:

Year ending December 31	Obligation		Revenue	
	Principal	Interest	Principal	Interest
2012	\$ 10,000	\$ 9,500	\$ 148,500	\$ 101,618
2013	10,000	9,000	155,500	95,804
2014	15,000	8,500	162,500	89,356
2015	15,000	7,750	168,500	82,651
2016	15,000	7,000	169,500	74,841
2017-2024	125,000	26,500	1,402,000	292,174
Total	<u>\$ 190,000</u>	<u>\$ 68,250</u>	<u>\$2,206,500</u>	<u>\$ 736,444</u>

#### **Rate covenant-debt service charge**

In accordance with the District's bond resolution authorizing the issuance of its refunding bonds, the District, through its Board of Commissioners, covenants to fix, establish and maintain such rates and collect such fees, rents or other charges for the services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, and will always provide revenues in each year sufficient to pay the reasonable and necessary expenses of operating and maintaining the system in each year, the principal and interest maturing on the Bonds and the Parity Bonds in each year, all reserve or sinking funds or other payments required for such year by the Bond Resolution, and all other obligations or indebtedness payable out of the revenues of the system for such year, and which will provide revenues in each year after paying all reasonable and necessary expenses of operating and maintaining the system in such year, at least equal to 125% of the largest amount of principal and interest maturing in any future fiscal year on the Bonds and any Parity Bonds.

For the year ended December 31, 2011 and 2010 the District's coverage exceeded required amounts.

### **Flow of funds; restrictions on use-sewer revenue**

Under the terms of the bond indentures on outstanding Sewer Revenue Bonds, all income revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Revenue is first deposited in Sewer Revenue Fund and shall first provide for the payment of the reasonable and necessary expenses of operating and maintaining the system.

Each month, there will be set aside into a fund called the "Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and 1/12 of the next maturing installment of interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments

There shall also be set aside into a "Sewer Reserve Fund" an amount equal to 5% of the principal and interest payments required during the current fiscal year until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirements in any one maturity year. This fund reached its maximum required amount during 1999. Reserve requirements do not apply to the 2002 refunding bonds.

Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund and as to which there would otherwise be default.

Funds will also be set aside into a Depreciation and Contingency Fund in an amount equal to 5% of the principal and interest payments required during each fiscal year. Money in the fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as maintenance in operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

## 8. STATEMENT OF CASH FLOWS

Reconciliation of operating income to net cash providing by operating activities:

	<u>2011</u>	<u>2010</u>
Operating income	\$ 206,984	\$ 198,162
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	208,661	206,732
Change in assets and liabilities:		
Accounts receivable	(8,930)	(4,368)
Prepaid expenses	(1,714)	435
Accounts payable	6,426	(115,051)
Accrued compensated absences	(648)	1,296
	<u>\$ 410,779</u>	<u>\$ 287,206</u>

## 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. The District has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year.

## 10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 22, 2012, the date the financial statements were available to be issued, and determined that no additional disclosures are necessary.

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**SCHEDULE OF COMPENSATION PAID TO COMMISSIONERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

The following is a schedule of commissioners of the District and amounts paid them per diem for the year ended December 31, 2011:

<u>Commissioner</u>	<u>Per Diem</u>
Calvin E. Millender	900
Lynda Attaway	180
Tom Collins	480
Dean Erwin	900
Randall Magness	180
Elizabeth Miller	540
George Wilson	<u>900</u>
Total	<u>4,080</u>



**Marsha O. Millican**

**A PROFESSIONAL ACCOUNTING CORPORATION**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners  
Caddo Parish Sewerage District No. 7  
Shreveport, Louisiana

I have audited the financial statements of Caddo Sewerage District No. 7, Shreveport, Louisiana, a component unit of the Caddo Parish Commission, as of and for the years ended December 31, 2011 and 2010, and have issued my report thereon dated June 22, 2012. I conducted my audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Caddo Sewerage District No. 7 internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Caddo Parish Sewerage District No. 7's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Caddo Parish Sewerage District No. 7's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

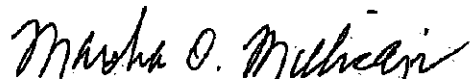
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness, as defined above. However I noted other matters involving the internal control over financial reporting that I have reported in the accompanying Schedule of Findings and Questioned costs and identified as Finding #2011-1.



### Compliance

As part of obtaining reasonable assurance about whether Caddo Parish Sewerage District No. 7's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:5113, this report is distributed by the Legislative Auditor as a public record.



Certified Public Accountant  
June 22, 2012

**CADDO PARISH SEWERAGE DISTRICT NO. 7**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. One control deficiency, which is not a material weakness, is reported.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.

**FINDING/NONCOMPLIANCE**

**FINDING 2011-1:**

**Condition:** Due to the District sometimes being limited to one person involved in the operation of the office, most of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the system. Currently, bank reconciliations are prepared by outside professionals. In addition, general ledger accounting is inspected by an outside accounting professional.

**Effect:** Accounting controls over accounts receivable, collections, and general ledger accounting are comprised.

**Cause:** The condition is due to economic and space limitations.

**Recommendation:** Whether or not it would be cost effective to correct a deficiency is not a factor in reporting requirements under accounting standards generally accepted in the United States of America. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under accounting standards generally accepted in the United States of America. In this case, both management and the auditor do not believe that correcting the control deficiency described above is cost effective or practical, and, accordingly, do not believe that any corrective action is necessary. The Board should closely monitor the situation.

**Management's Corrective Action Taken:** We agree with the finding. We will closely monitor the situation.

**CADDO PARISH SEWERAGE DISTRICT NO. 7**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**FINDING 2010 - #1:**

The District did not file its financial statements in the time frame required by State Law.

**STATUS:** Resolved.

**FINDING 2010 - #2:**

The segregation of duties is inadequate.

**STATUS:** Unresolved.